

# Three Year Operating Plan



January 21, 2014

# Purpose



- Revenue streams
  - Property Tax
  - Property Tax In Lieu of Sales Tax
  - Property Tax in Lieu of Vehicle License Fees
  - Sales and Use Tax
  - District Transaction and Use Tax (District Sales Tax; Proposition D)

# Purpose



- District Sales Tax
- Enacted by National City voters in 2006
- One cent sales tax increase.
- All proceeds stay in National City and cannot be taken by the State



# Purpose



- Sales tax exemptions include
  - Groceries (non-prepared foods)
  - Prescription medicines
  - Rent
  - Utilities
- Sales tax is not a tax on properties or homes and ensures out-of-town visitors contribute to the cost of services.

# Purpose



- September, 2016 sunset (fiscal year 2017)
  - Presentation of Three Year Operating Plan
  - Presentation of Community Survey

# Background



## Structural Deficit

- Fiscal year 2005 - \$4 million structural deficit forecasted
- Fiscal year 2006 - \$6.7 million structural deficit forecasted

## Balanced Budgets (legally mandated)

- Use of reserves and other one-time revenue sources
- 20% reduction in services
- 51 positions frozen



# Background



## Existing voter-approved sales tax measure

- June 2006
- One percent (1%) district sales tax
  - One penny for every dollar spent on taxable goods and services by residents and visitors to National City
- Sunset after ten years (September 2016)

# Background



## National City Sales Tax benefits

- Local control - all funds stay in National City
- Restoration of services, including library hours
- Restoration of essential positions initiated, including fire and police
- Maintaining a City-run Fire Department



# Background



## Fiscal and Economic Development Strategies

- Conservative spending strategies
- Local pension reform
- Development of revenue generating projects
  - Marina Gateway
  - Plaza Bonita expansion
  - Planned residential projects
  - Planned commercial projects (i.e. Costco, Lowes, downtown corridor)

# Background



## Additional Fiscal Challenges

- 2008 Global Recession
  - Job loss
  - Limited discretionary spending
  - Building industry near halt
  - Local stores closed (Circuit City, Mervyns, Ralphs)
  - Plans to open new national chain and home improvement stores shelved (Costco, Lowes)



# Background



## Additional Fiscal Challenges

- 2011 State mandated dissolution of redevelopment agencies
  - Eliminated millions in state funding for economic development and anti-blight
  - Suspension of bond funds intended for capital improvement projects



# Background



- 2011 Proposition D Independent Evaluation Committee formed:

*“...the selected actions provide a sampling of the range and magnitude of the actions taken to adequately confront and prevent the structural deficit challenge from spiraling out of control. It seems clear that despite all of the actions taken to close the City’s recurring structural deficit it would spiral out of control without the revenues temporarily being provided by the District Tax. For this reason the District Tax should remain in effect.”*

# Current General Fund Outlook



- Conservative use of taxpayer dollars (spending hiring practices are closely monitored)
  - CARE Committee
  - Position Review Committee
  - Personnel Review Committee
- Department consolidations
- Workflow efficiencies



# Current General Fund Outlook



- Public-private partnerships
- 59 frozen (unfunded) positions
  - 15 fire and police positions

Result = stable General Fund budget



# Looking Forward



- Increasing expenditures
  - Pension costs
  - Health care
  - County-wide emergency radio system
  - Underfunded reserves
  - Unfunded State mandates
- Decreasing revenues
  - Sunset of District Sales Tax

# Looking Forward



## Strategic Plan

- Element 2b: *Prepare a 3 year operating plan that prioritizes service and staffing levels in preparation for sunset of district tax.*

# Three Year Operating Plan (fy 2015 thru 2017)



## Factors and assumptions

- The District Sales Tax represents approximately 22% of the General Fund's operating revenue.
- Public Safety services constitute 71% of the General Fund.
- All figures represented for fiscal years 2015 thru 2017 are estimates based on data currently available.
- Projected revenues and expenditures are subject to change.



# Three Year Operating Plan (fy 2015 thru 2017)



## Factors and assumptions

- \$8 million Structural deficit projected for fiscal year 2017
- All departments were asked to project the impact of a 24% reduction in General Fund revenue in fiscal year 2017
- 24% equates to \$10,079,458
- Total Maintenance and Operations\* = \$9,523,488 (23%)
- Total Personnel = \$32,574,264 (78%)

\*Internal Services Charges and Capital Outlay not included.

# Three Year Operating Plan (fy 2015 thru 2017)



## Overall Budget Reductions

- Maintenance and Operations - \$1,359,004 (3.2%)
- Personnel - \$9,347,585 (22.3%)
  - 30.65% decrease in personnel
  - 90.56 FTEs
  - 109 Employees

Department/Program	Projected FTE Count	Reduction	Revised Total	% Reduction
Building	4.0	2.0	2.0	50.00%
City Attorney	3.5	0.75	2.75	21.43%
City Clerk	2.0	1.0	1.0	50.00%
City Manager	7.8	1.0	6.8	12.82%
Community Services	13.81	4.91	8.9	35.55%
Engineering/PW	37.65	6.25	31.4	16.60%
Finance	14.48	4.5	9.98	31.08%
Fire	43.0	14	29	32.56%
Housing & Grants	10.5	6.75	3.75	64.29%
Human Resources	3.0	1.0	2.0	33.33%
Library	15.85	5.4	10.45	34.07%
MIS	3.0	0	3.0	0.00%
Neighborhood Services	9.05	4.0	5.05	44.20%
Planning	3.0	1.0	2.0	33.33%
Police	123.82	37	86.82	29.88%
Risk Management	1.0	1.0	0	100.00%
<b>Totals</b>	<b>295.46</b>	<b>90.56</b>	<b>204.9</b>	<b>20</b>



# Three Year Operating Plan (fy 2015 thru 2017)



## Service Level Impacts

- City wide:
  - Reduction in operating hours
  - Decreased service delivery
- Neighborhood Services:
  - Elimination of the Graffiti Removal Program
- Housing & Grants:
  - Elimination of the City operated Senior Nutrition Center

# Three Year Operating Plan (fy 2015 thru 2017)



## Service Level Impacts

- Library:
  - 23% reduction in hours of operation
    - Saturday closure (in addition to the current Friday closures)
    - Reduced hours Sunday through Thursday
  - Elimination of the Literacy Program

# Three Year Operating Plan (fy 2015 thru 2017)



## Service Level Impacts

- Community Services:
  - Closure of Casa de Salud and Manuel Portillo Youth Center teen program
  - Closure of El Toyon Recreation Center
  - Elimination of the City operated Tiny Tots program



# Three Year Operating Plan (fy 2015 thru 2017)



## Fire

- Reduction in staffing
  - Eliminate 13 fire safety positions (one-third of the current firefighter staffing)
- Service Level Impacts
  - Closure of Fire Station 31

# Three Year Operating Plan (fy 2015 thru 2017)



## Fire

- Service Level Impacts
  - Increased 9-1-1 response times
  - Increased patient pain and suffering, loss of life
  - Increased property losses
  - Non-compliance with NFPA 1710
  - Increased dependence on automatic aid
  - Ability to maintain City-run Fire Department could be compromised



# Three Year Operating Plan (fy 2015 thru 2017)



## Police

- Reduction in force
  - Reduce sworn officers from 82 to 45
- Service Level Impacts
  - Gang Enforcement Team - eliminated
  - Traffic Unit - eliminated
  - Drug prevention program - eliminated
  - School Resource Officer Program - eliminated
  - Community Services Unit - eliminated
  - SWAT Team - eliminated



# Three Year Operating Plan (fy 2015 thru 2017)



## Police

- Service Level Impacts
  - Investigations - limit to violent crimes
  - Neighborhood patrols - reduced

# Three Year Operating Plan (fy 2015 thru 2017)



## Police

- Service Level Impacts (Strategic elements)
  - Provide Quality Services - in ability to meet requests for service
  - Improve Quality of Life - increase in crime rate and gang activity
  - Promote a Healthy Community - increase in street crime deters walking, biking and participating in community events
  - Ability to maintain City-run Police Department could be compromised

# Three Year Operating Plan - Alternative



## Fire and Police Exemption

- Combined budget of other departments - \$14,625,493
- After reduction = \$4,546,035
  - 69% reduction



# Community Survey



- City commissioned comprehensive community survey
- 400 residents surveyed to determine
  - the public's service priorities;
  - and their willingness to continue to pay for those priorities with no increase in existing tax rates



# **National City Community Survey REPORT TO CITY COUNCIL January 21, 2014**

*Fairbank,  
Maslin,  
Maullin,  
Metz &  
Associates*

**FM3**

**T H E  
LEW  
EDWARDS  
G R O U P**

# Research Methodology

- Survey conducted September 23-October 3, 2013
- Interviews conducted by landline and cell phones of 400 randomly-selected National City respondents
- Margin of error for the full sample is +/-4.9%
- Interviews were conducted in English, Spanish and Tagalog
- Project goals were to assess service priorities of constituents and determine constituent views on service satisfaction and continued local funding

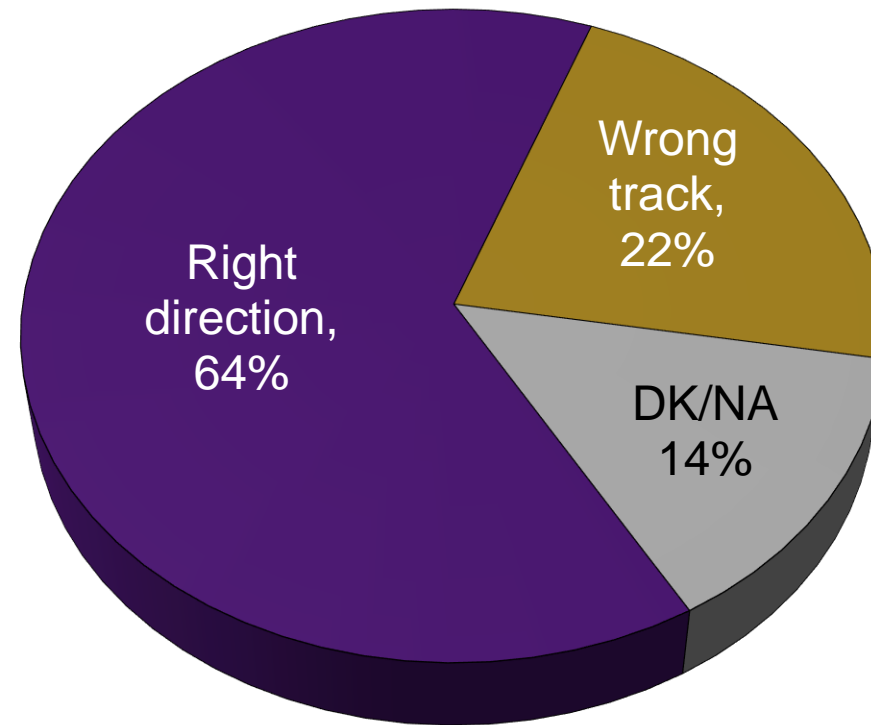




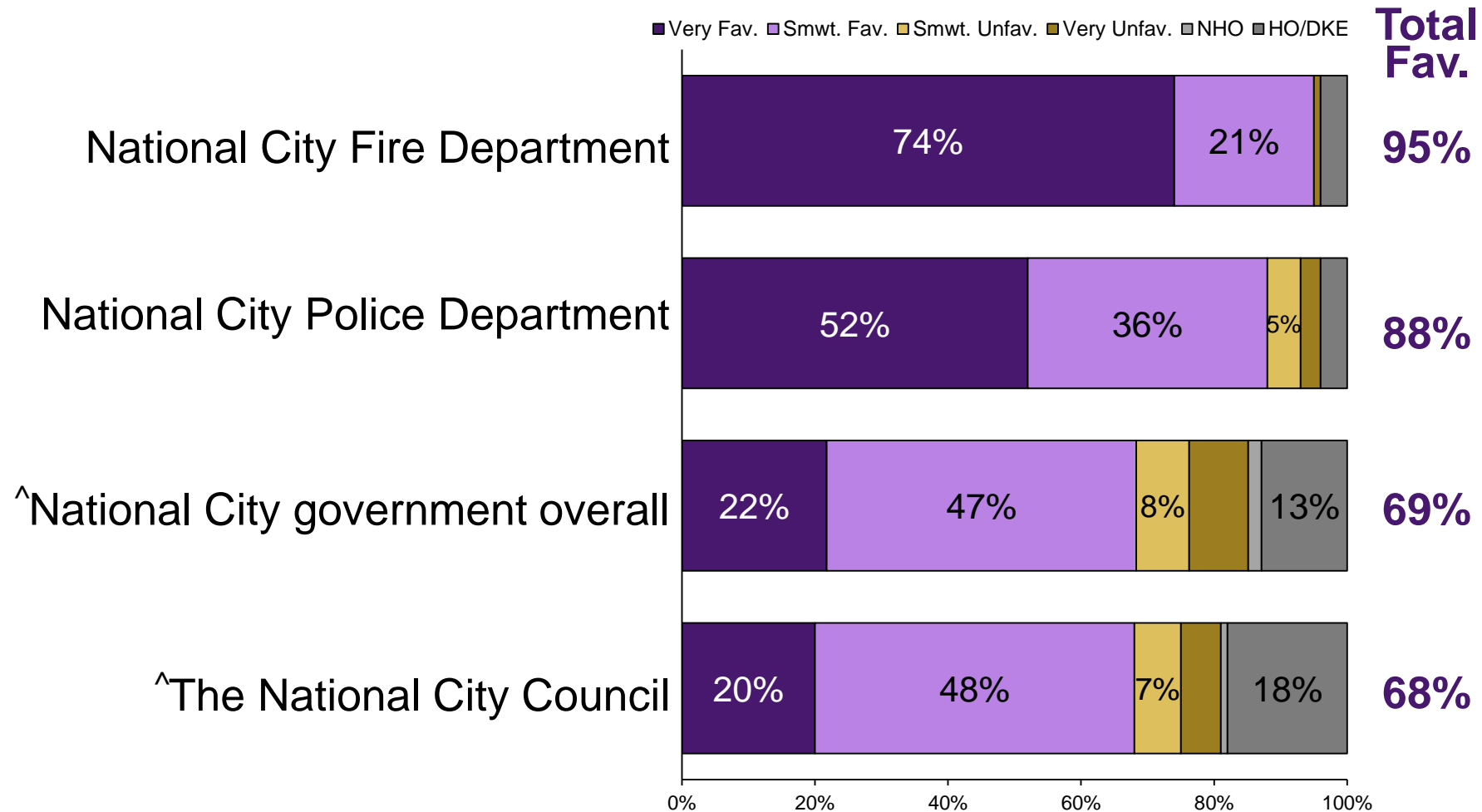
# Section I: Mood of National City Respondents

# Nearly two-thirds of National City respondents believe that the City is “generally headed in the right direction.”

*Would you say that things in National City are generally headed in the right direction or do you feel that things are on the wrong track?*

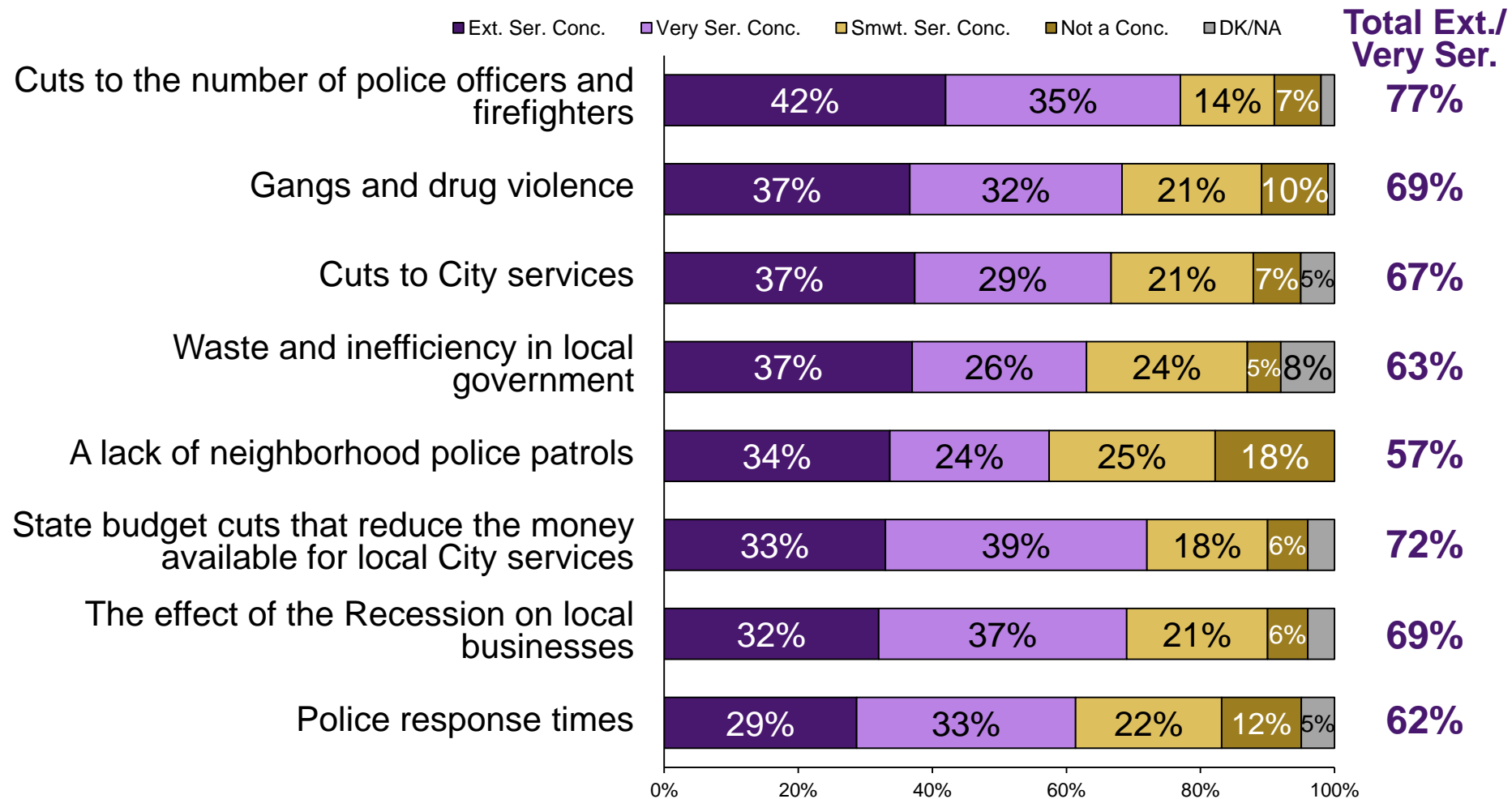


# National City municipal government, and the public safety departments in particular, are viewed very positively by respondents.





# Public safety issues and cuts to City services are serious concerns.



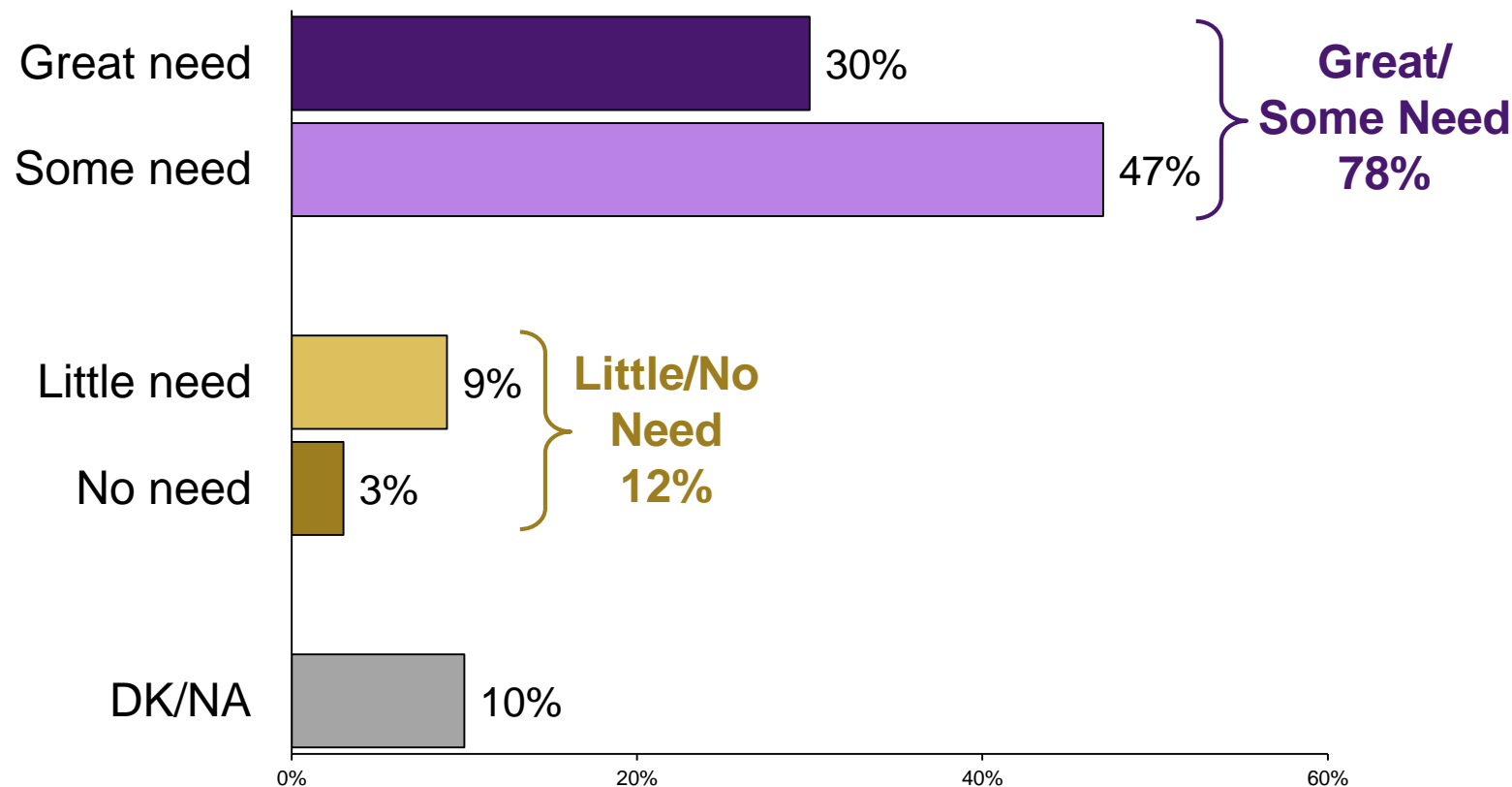


# **Section II:**

## **Attitudes on Funding and Reaction to Continuing the City's Existing, Locally-Enacted Sales Tax with No Increase in Tax Rate**

# More than three-in-four respondents believe their city needs funding to maintain the current level of City services, with three-in-ten describing the need as “great.”

*In your personal opinion, do you think National City has a great need, some need, a little need, or no real need for funds to provide the current level of city services that residents need and want?*



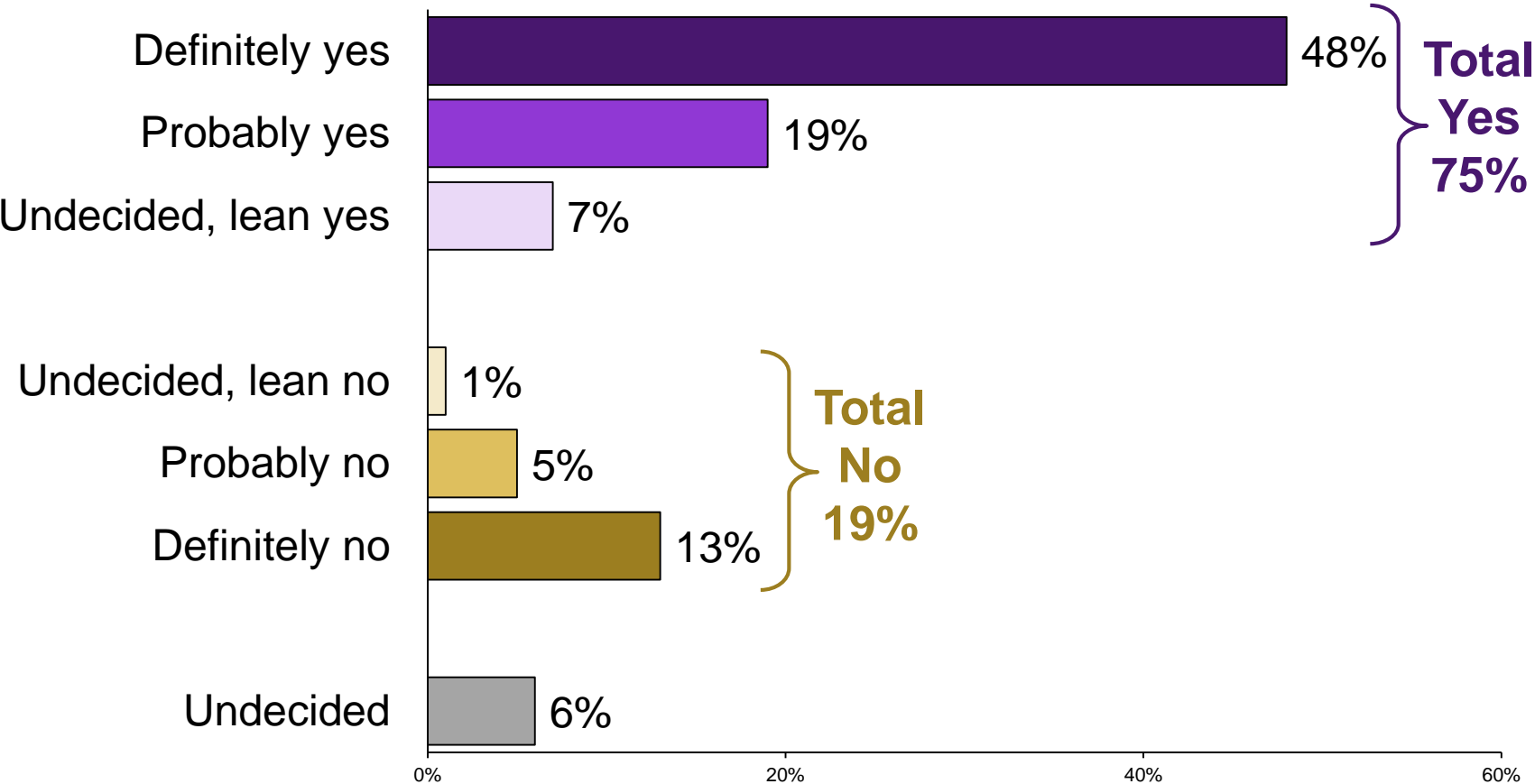


# City of National City Ballot Measure Label Statement

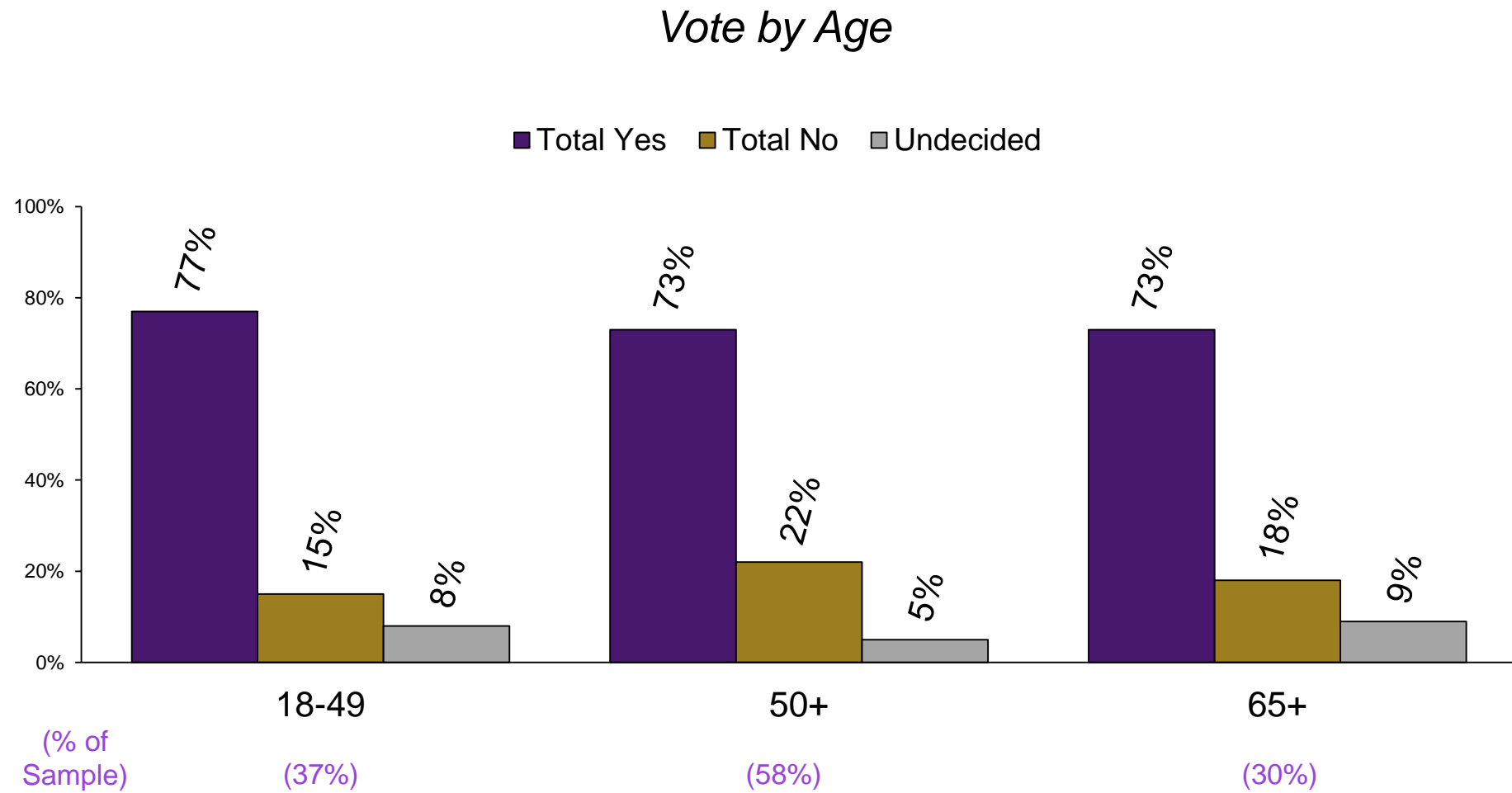
**National City Continuation of City Services Funding Measure.** To maintain National City's public safety and prevent cuts to neighborhood police patrols and police officers; gang/drug prevention; 911 emergency medical response; fire protection and firefighters; graffiti removal; street/pothole repair; park safety; senior/youth/library programs; and other City services, shall National City continue its existing voter-approved one-cent sales tax, with Citizens' Oversight, annual independent audits, all money kept in National City, without raising existing tax rates?

# After hearing this title and summary, three-in-four support continuing the City's existing, voter-approved one-cent sales tax.

*If there were an election today, do you think you would vote  
“yes” in favor of this measure or “no” to oppose it?*

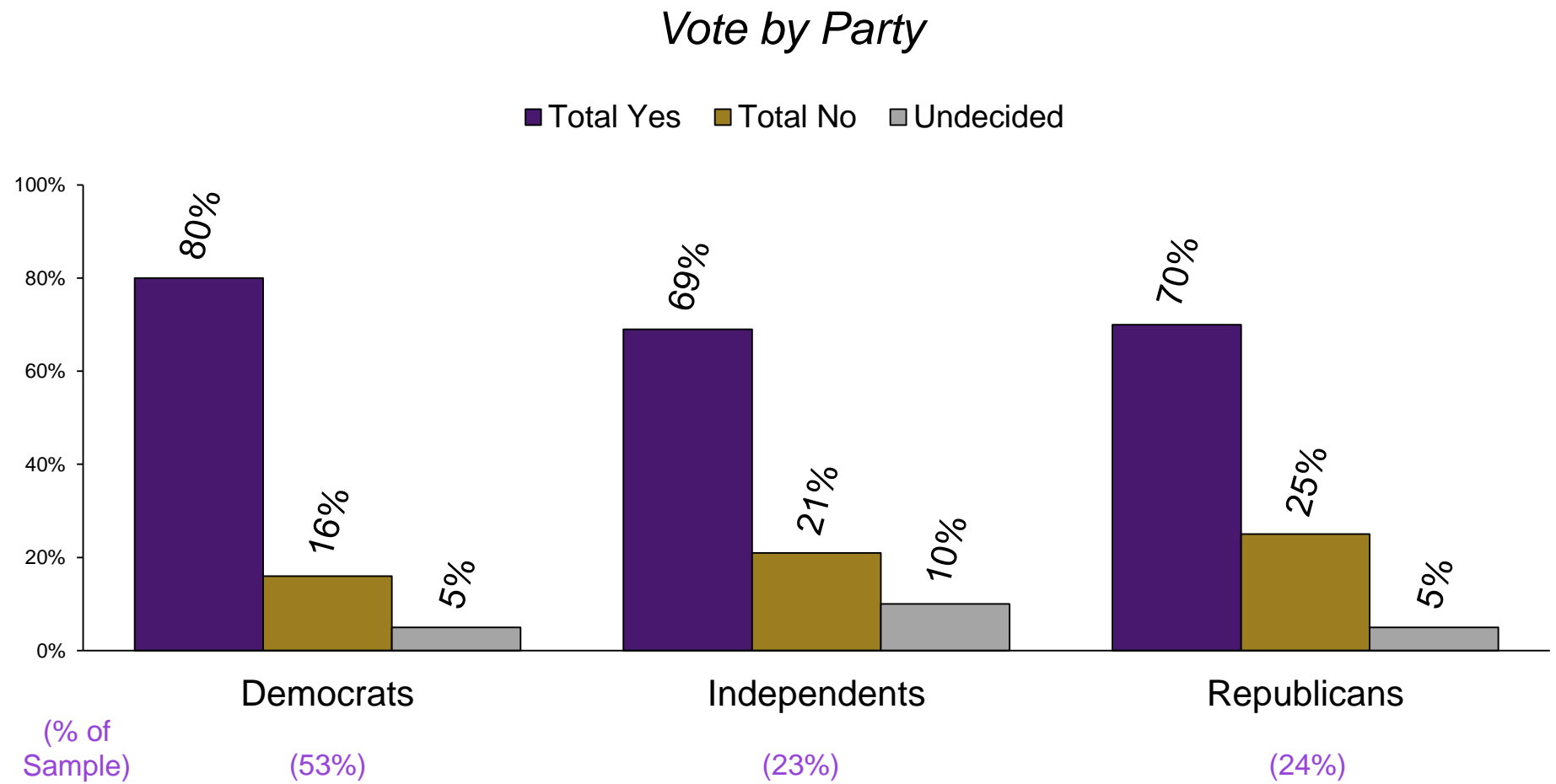


# Support is robust across age groups.

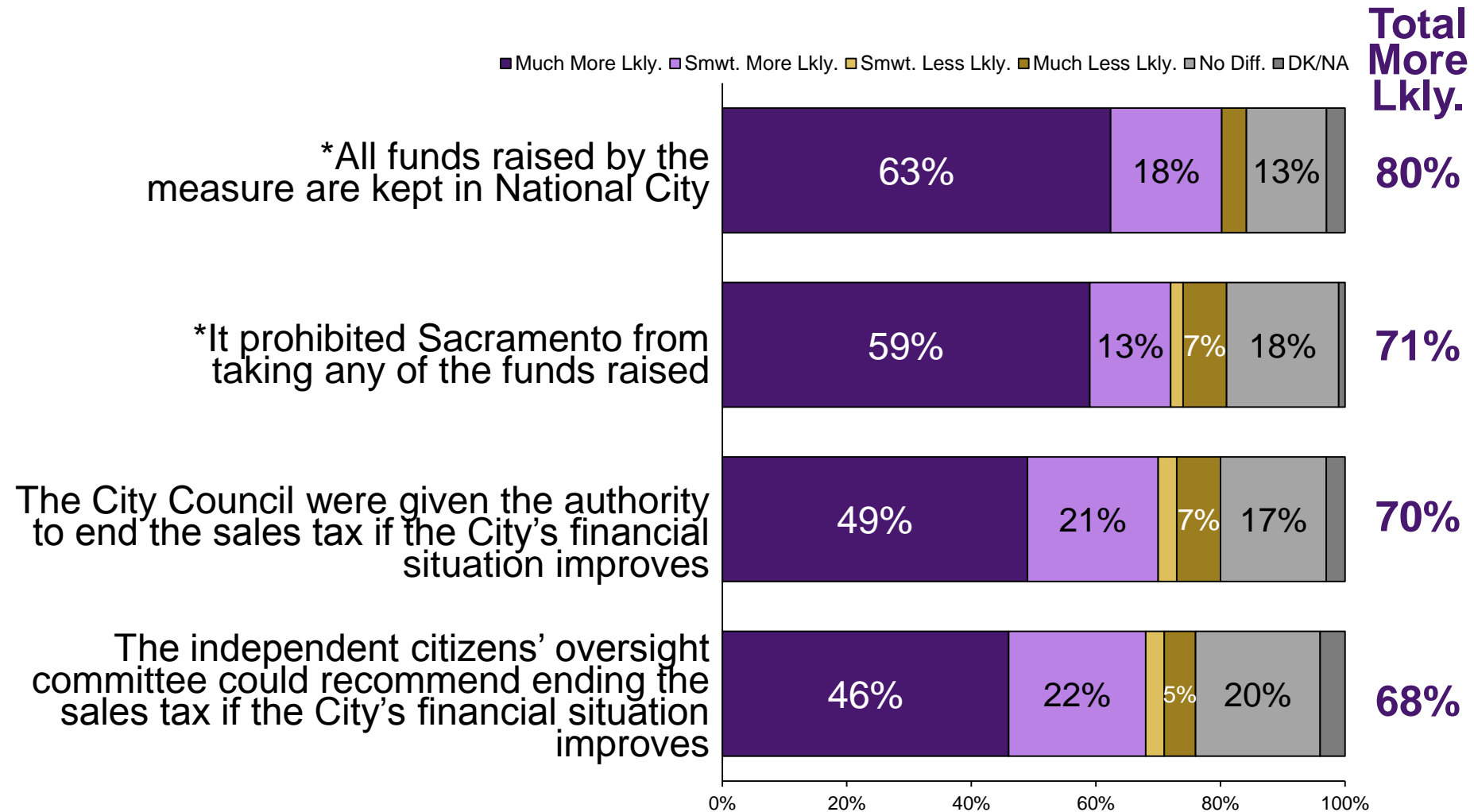




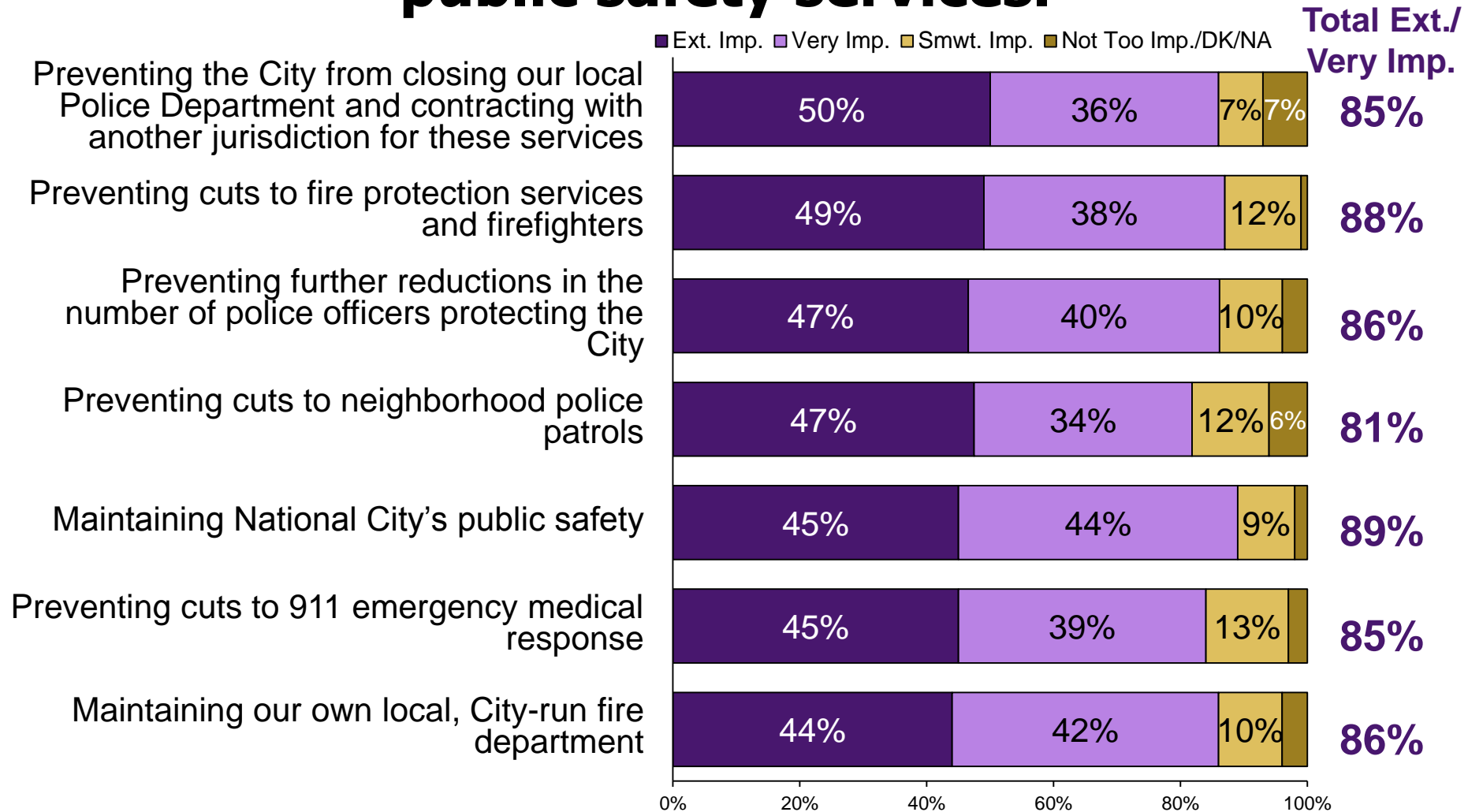
# The simple-majority requirement measure also carries among all party affiliations.



# Respondents react strongly to several of the potential accountability provisions tested.

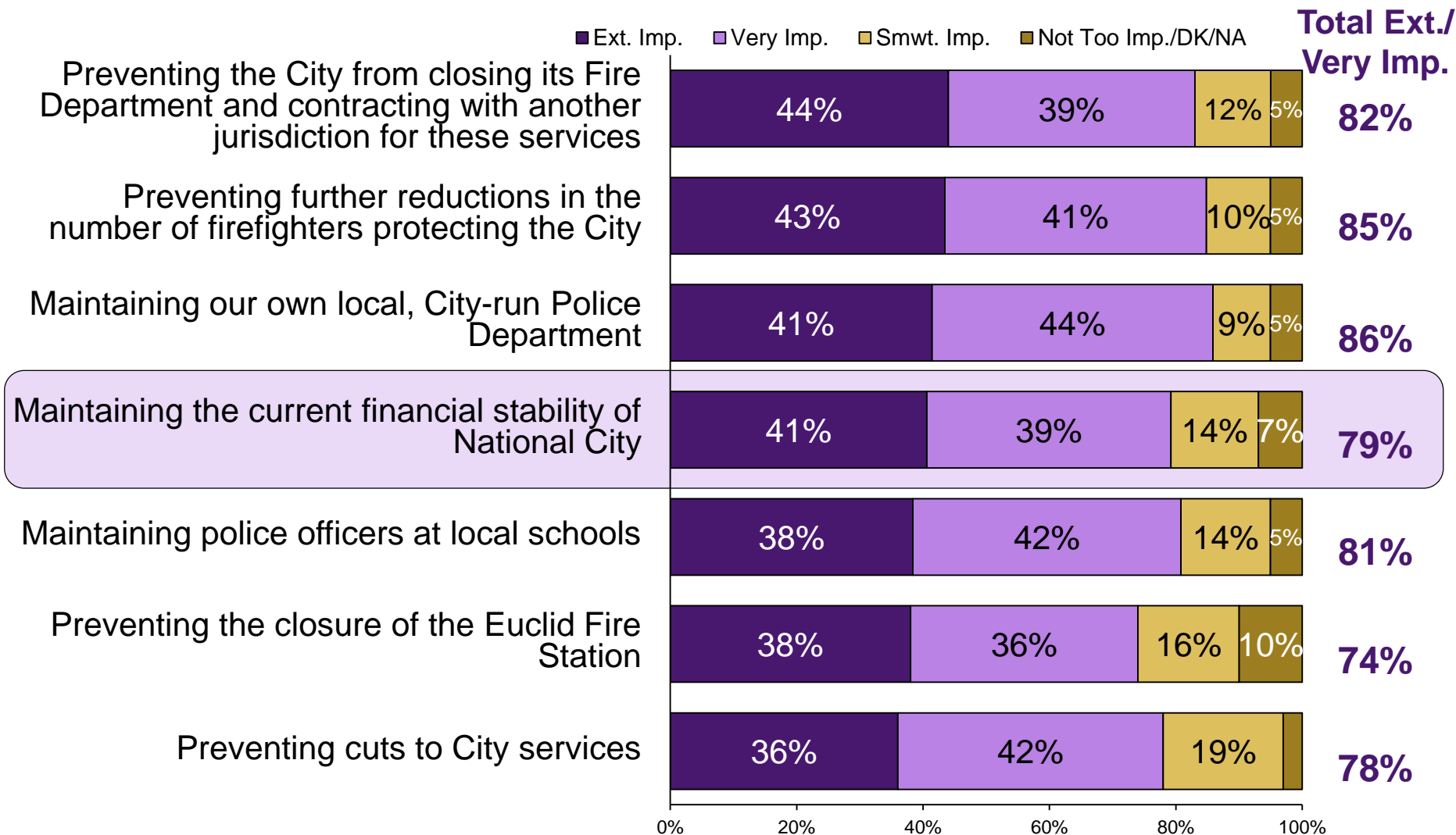


# National City respondents prioritize using funds raised to maintain local public safety services.





# Eight-in-ten respondents think it is highly important to use funds raised to ensure the City's fiscal stability.



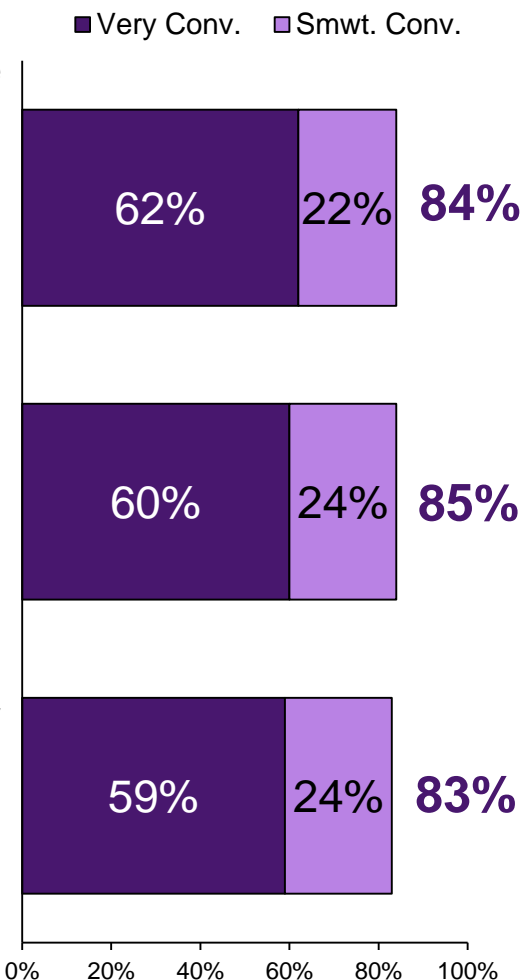
# Section III: Facts of Interest to Residents

# Respondents reacted most strongly to the need to ensure the City's public safety services remain fully funded and locally controlled.

**^(PUBLIC SAFETY)** Public safety is a top priority in National City—we have one of the highest crime rates in the County and public safety represents over 70% of the City budget. If this measure fails, the City will be forced to significantly cut public safety; reduce gang and drug prevention, police officer staffing at local schools, neighborhood police patrols, and graffiti removal; eliminate up to 1/3 of our firefighters; and close the Euclid Fire Station. Passing this measure is essential to keeping our community safe.

**(RESPONSE TIMES)** The American Heart Association says brain deterioration starts 5 minutes after a person stops breathing, but without this measure National City will be forced to eliminate police, firefighters and medical paramedics, further increasing 911 emergency response times. This measure ensures that people suffering from heart attacks, strokes or other medical emergencies receive the immediate paramedic care they need to increase their chance for survival.

**(CRIME)** Gang-related activities and crime are major concerns in our community. And with the state's recent release of parolees, we now have over twenty-seven hundred parolees in our region. This measure is needed to prevent cuts to our police force and support crime, gang and drug prevention programs that keep National City safe.

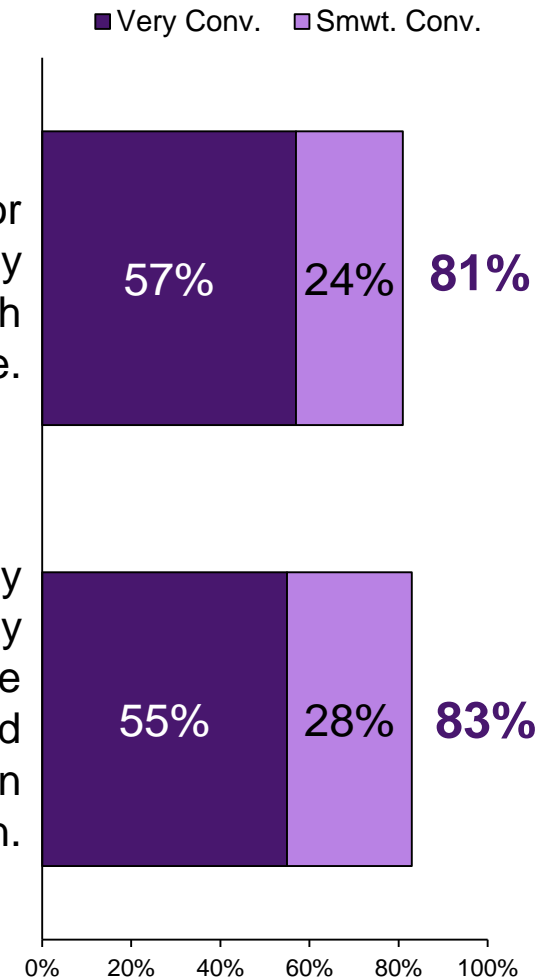




# The idea that passing this measure will not result in any additional tax burden for National City residents is also very interesting.

**^(NO INCREASE)** This measure DOES NOT create a new tax or increase taxes. It simply continues an existing tax – one previously adopted by National City voters – to MAINTAIN our City services with no increase in the existing tax rate.

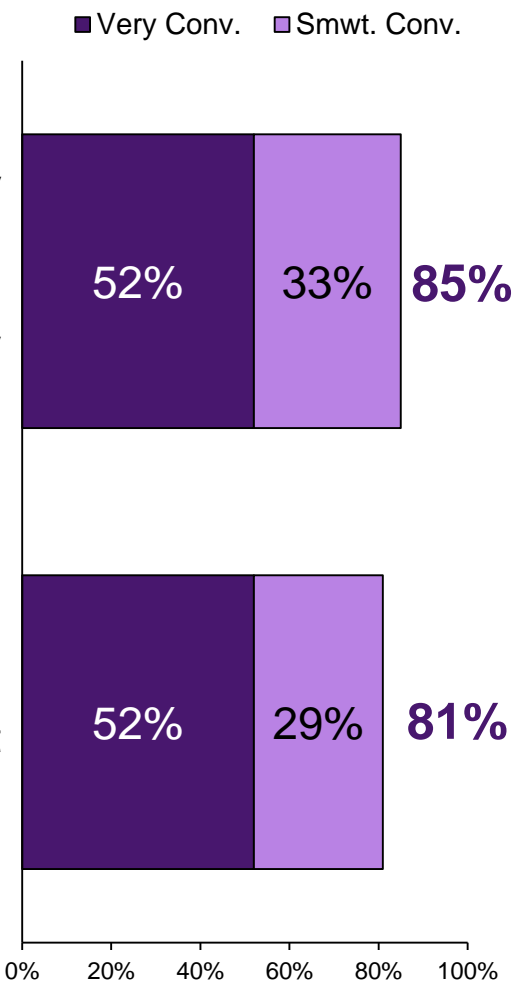
**^(OUT-OF-TOWNERS)** With thousands of people visiting National City every day, this measure ensures that out-of-towners continue to pay their fair share for police, fire, street repair, and other services they use when they visit our City. And this measure will not raise tax rates and will not be applied to food purchased as groceries or prescription medication.



# Respondents also reacted strongly to the need to maintain a Full Service City and creating a local source of funding to protect vital services.

**(FULL SERVICE CITY)** It is critical to the safety of National City residents that we keep our own local police and fire departments. Funds from this measure help ensure that we can prevent the outsourcing of these services and maintain local control, while at the same time ensuring adequate funding for parks, libraries, and other City services.

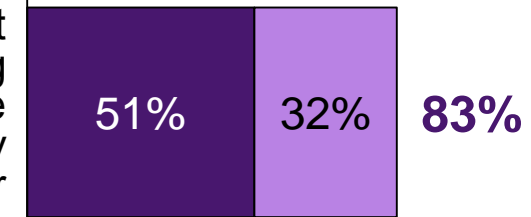
**^(CUTS)** To address their own budget problems, Sacramento politicians have taken millions of dollars from National City. To offset these state money grabs, our City has made significant budget cuts including reducing scores of city employees, consolidating City departments, reducing management, and implementing pension reform. But without this measure, the City will need to cut approximately 25% of its budget, resulting in substantial reductions to City services including neighborhood police, fire protection and other services.



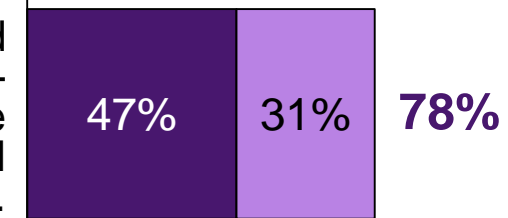
# Eight-in-ten respondents are interested in statements highlighting the accountability requirements and local economic impact.

■ Very Conv. ■ Smwt. Conv.

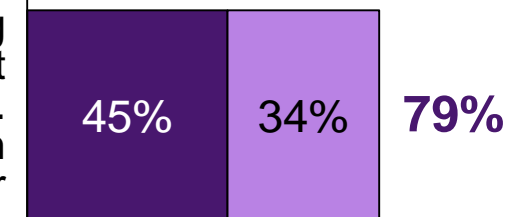
**(ACCOUNTABILITY)** This measure includes strict accountability provisions such as continuing an independent citizens' oversight committee, requiring public expenditure reports and guaranteeing annual independent financial audits. This measure continues to ensure our City has a dedicated local source of funding to maintain City services that by law cannot be taken by Sacramento or other bureaucrats.



**(LOCAL ECONOMY)** This measure protects our property values and the local economy. If the City is forced to significantly reduce services - particularly police and fire protection, graffiti removal and code enforcement - National City property values will decline and the City will become a less desirable place to live and for businesses to locate.



**(OVERSIGHT COMMITTEE)** The Citizens' oversight Committee, the group of citizens tasked with examining the city budget and funding from our existing local sales tax, has recommended to City leaders that this measure be renewed by the community for a longer period of time. Without it the City will be forced to further reduce services, even though the City has already cut many staff positions and implemented other cost-savings measures.



0% 20% 40% 60% 80% 100%



*Fairbank,  
Maslin,  
Maullin,  
Metz &  
Associates*

**FM3**

*Public Opinion Research  
& Strategy*

**T H E  
LEW  
EDWARDS  
G R O U P**

**FM3**

**2425 Colorado Ave., Suite 180 Santa Monica,  
CA 90404**

**Phone (310) 828-1183**

**Fax (310) 453-6562**

**[www.FM3research.com](http://www.FM3research.com)**

**The Lew Edwards Group**

**5454 Broadway  
Oakland, CA 94618**

**P.O. Box 21215  
Oakland, CA 94620**

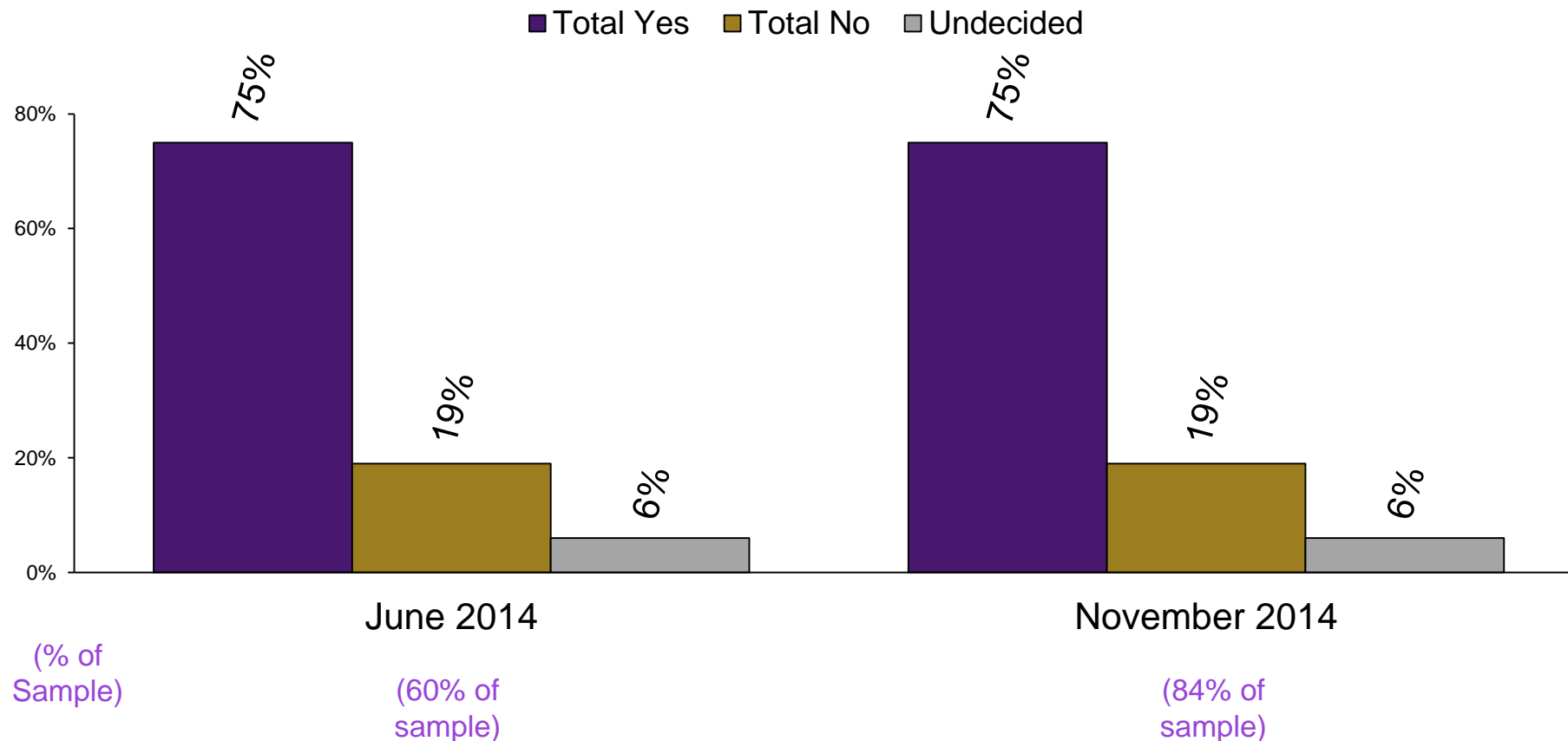
**tel: 510/594-0224**

**fax: 510/420-0734**

**[info@lewedwardsgroup.com](mailto:info@lewedwardsgroup.com)**

# There is no difference in support between respondents that are likely to cast a ballot in this year's statewide elections.

*Vote by Voting Propensity*



# Community Survey



- Strong desire for fiscal sustainability
- Maintenance of core services
  - City run fire and police services
  - 911 emergency dispatchers
  - School and neighborhood patrols
  - Repairing of streets and potholes
  - Prevention of cuts to senior and youth after-school programs



# Community Survey



- 78% of respondents believe there is a need for continued funds to provide the current level of city services
- 72% of respondents stated their support for the continuation of existing, voter approved funding with no increase in tax rate

# Recommendation



Direct the development and drafting of a proposed ballot measure to:

- extend the existing voter-approved one cent district sales tax beyond its expiration date
- with no increase in tax rate
- to maintain the City's public safety services, prevent cuts to police and fire services and ensure adequate funding for parks, libraries and other City services.